

Message Text

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S E C R E T SECTION 1 OF 4 BUDAPEST 699

STADIS/////////////////////////////////
FOR EUR ONLY
FROM THE AMBASSADOR

E.O. 11652: GDS
TAGS: HU
SUBJECT: U.S. GOALS AND OBJECTIVES IN HUNGARY

REF: A) 77 STATE 295530, B) 77 STATE 291277, C) 77 STATE 296053,
D) 77 USIA CIRCULAR 34899, E) 77 STATE 307621
F) BUDAPEST 375

SUMMARY: OUR RELATIONS WITH HUNGARY ARE GOING WELL. U.S.
GOALS AND OBJECTIVES, AND OUR POLICIES DESIGNED TO ACHIEVE
THEM, ARE GENERALLY REALISTIC AND VALID. BARRING
DETERIORATION IN GENERAL EAST-WEST RELATIONS, I BELIEVE
THAT THEY ARE ATTAINABLE. I EXPECT CONTINUED IMPROVEMENT
IN OUR BILATERAL RELATIONSHIP AND INCREASED UNDERSTANDING
ON MULTILATERAL ISSUES. THROUGH OUR ACTIVE DIPLOMACY WE
ARE, IN A WAY, USING HUNGARIAN DESIRE FOR A BETTER RELATIONSHIP
WITH US TO EXPAND ITS RELATIONS WITH THE WEST AND TO FURTHER
HUNGARY'S INTEGRATION INTO A WIDER INTERNATIONAL SCENE.
WE HAVE AN INCREASINGLY INTERESTING
RELATIONSHIP WITH PARTNER IN HUNGARY, EVEN IF IT WOULD BE TOO MUCH TO
EXPECT ITS ALLIANCE WITH THE USSR TO BE ALTERED GREATLY
IN ITS ESSENTIAL ASPECTS. 1978 PROMISES TO BE A WATERSHED
YEAR IN OUR RELATIONS, AND BOTH THE AMERICAN AND
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HUNGARIAN PEOPLES SHOULD BENEFIT FROM IT. END SUMMARY

1. CURRENT YEAR: 1978 PROMISES TO BE THE MOST
SIGNIFICANT YEAR IN AMERICAN-HUNGARIAN RELATIONS IN THE
PAST THIRTY YEARS. WE HAVE ALREADY MADE STRIKING
PROGRESS TOWARD ACHIEVEMENT OF THE GOALS AND OBJECTIVES
OF U.S. POLICY TOWARD HUNGARY AS SET FORTH BY THE

DEPARTMENT IN STATE 295530:

-- WE HAVE SUCCESSFULLY RETURNED THE CROWN OF ST. STEPHEN IN A MANNER BEFITTING BOTH THE CROWN AND OUR CAREFUL CUSTODY OF THIS HUNGARIAN NATIONAL RELIC, THEREBY CLOSING A CHAPTER IN BILATERAL RELATIONS LEFT OVER FROM WW II. BY DOING SO WE HAVE NOT ONLY REMOVED AN IRRITANT; WE HAVE ALSO ESTABLISHED AN ATMOSPHERE WHICH IS MOST CONDUCTIVE TO THE ACHIEVEMENT OF OUR OTHER POLICY OBJECTIVES. THE VISIT BY THE SECRETARY, AS WELL AS HIS MEETING WITH FOREIGN MINISTER PUJA LAST OCTOBER DURING THE UNGA, HAS SET THE STAGE FOR THE HIGH LEVEL VISITS AND EXCHANGES OF VIEWS WHICH THE DEPARTMENT DESIRES.

-- WE HAVE BEGUN NEGOTIATION OF A BILATERAL TRADE AGREEMENT. EARLY AND SUCCESSFUL CONCLUSION OF THESE NEGOTIATIONS WILL RESOLVE THE LONG-STANDING QUESTION OF MFN, THE OTHER MAJOR ISSUE IN OUR BILATERAL RELATIONS WHICH DATES BACK TO THE DAYS WHEN IT WAS DIFFICULT TO HAVE A CONSTRUCTIVE RELATIONSHIP WITH HUNGARY. THE TRADE AGREEMENT WILL ALSO IMPROVE SIGNIFICANTLY OUR COMPANIES' ABILITY TO DO BUSINESS WITH AND IN HUNGARY. WE MUST NOW LOOK BEYOND THE CONCLUSION OF A TRADE AGREEMENT AND PREPARE TO EXPLOIT OUR NEW TRADING RELATIONSHIP TO THE BENEFIT OF OUR BUSINESSMEN THROUGH AN ACTIVE CAP.

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-- WE ARE ENTERING THE CONCRETE PHASE OF OUR NEGOTIATIONS OVER PROPERTY ISSUES. WHILE WE CANNOT BE AS CONFIDENT THAT THESE ISSUES WILL BE RESOLVED IN THE NEAR FUTURE, OUR CURRENT PROSPECTS FOR SUSTANTIAL PROGRESS ARE EXCELLENT. WE MUST CONTINUE TO PRESS THE GOH ON THIS ISSUE, KEEPING IN MIND OUR GOAL OF OWNING ALL THE PROPERTY WE USE IN BUDAPEST, WHILE RECEIVING FAIR AND PROMPT
N
COMPENSATION FOR THOSE PROPERTIES WHICH WE OWN AND WHICH ARE IN EXCESS OF OUR PREDICTABLE NEEDS.

-- WE HAVE WITNESSED A SIGNIFICANT INCREASE IN THE PEOPLE-TO-PEOPLE CONTACTS BETWEEN HUNGARY AND THE U.S. THE VISIT OF DR. BILLY GRAHAM IN EARLY SEPTEMBER, 1977, WAS A DRAMATIC EXAMPLE OF THE WIDENING RANGE OF CONTACTS, AS WERE THE VISITS LATER THAT MONTH OF CARDINAL KROLL AND ARCHBISHOP BERNADIN AT THE INVITATION OF CARDINAL LEKAI. DURING THESE VISITS, AS WELL AS DURING THE RETURN OF THE CROWN, THE IMPROVED STATUS OF BOTH THE CATHOLIC CHURCH AND THE OTHER RELIGIONS IN HUNGARY VIS-A-VIS THE REGIME WAS NOTICEABLE. WE CONTRIBUTED TO THIS PROCESS THROUGH THESE VISITS AND ESPECIALLY THROUGH

THE CROWN RETURN CEREMONY, IN WHICH LEADERS OF ALL
RELIGIOUS FAITHS IN HUNGARY PARTICIPATED.
HUNGARY'S RECORD ON HUMAN RIGHTS HAS BEEN PERHAPS THE
BEST AMONG THE COMMUNIST COUNTRIES. GIVEN OUR IMPROVED
RELATIONS WITH HUNGARY, WE NOW HAVE GREATER OPPORTUNITIES
TO ENCOURAGE DISCREETLY FURTHER HUMAN RIGHTS ADVANCES.
CONTINUED QUIET REPRESENTATIONS ON INDIVIDUAL DIVIDED
FAMILY CASES, USE OF OURS GREED MFN EMIGRATION ASSURANCES
AS APPROPRIATE, AND BILATERAL CONSULTATIONS IN THE CSCE
CONTEXT ARE OUR INDICATED POLICY TOOLS.

-- THE HUNGARIAN REGIME SEEMS TO BE EMERGING CAUSIOUSLY
FROM THE FOREIGN POLICY SHELL IT HAS IMPOSED ON ITSELF,
WITH THE RESULT THAT WE HAVE LIMITED OPPORTUNITIES TO
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EXPAND OUR DIALOGUE ON ISSUES OF INTEREST TO US ON BOTH
BILATERAL AND MULTILATERAL FORA. WHILE WE ANTICIPATE
THAT OUR MOST FRUITFUL EXCHANGES WILL BE ON EUROPEAN
ISSUES, IT IS NOT IMPOSSIBLE THAT WE CAN ENGAGE HUNGARY
INCREASINGLY IN WORLD ISSUES, SUCH AS THE NORTH-SOUTH
DIALOGUE. WHILE HUNGARY HAS BEEN RESTRAINED BY THE VIEWS
OF ITS WARSAW PACT ALLIES, AND WILL CONTINUE TO BE, WE
CAN TRY TO USE HUNGARY'S INTEREST IN A STABLE
INTERNATIONAL ECONOMIC SYSTEM TO FURTHER ITS INTEGRATION
INTO THE WORLD ECONOMY, THEREBY CHIPPING AWAY AT THE
MONOLITHIC NATURE OF THE SOVIET ORDER IN EAST AND
CENTRAL EUROPE.

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S E C R E T SECTION 2 OF 4 BUDAPEST 699

STADIS//////////

FOR EUR ONLY

FROM THE AMBASSADOR

2. PROBLEMS: TO A GREAT EXTENT, THE U.S.-HUNGARIAN BILATERAL RELATIONSHIP IS HOSTAGE TO THE U.S.-USSR ONE AND THE GENERAL EAST-WEST ATMOSPHERE. WE HAVE DETECTED AN UNUSUAL SENSE OF URGENCY ON THE PART OF HUNGARIAN OFFICIALS TO MOVE AHEAD WITH US AND BELIEVE THAT THIS URGENCY IS CAUSED PARTIALLY BY A DESIRE TO RESOLVE ISSUES WHILE THE EAST-WEST RELATIONSHIP IS POSITIVE. IF THIS CONITION SHOULD BE CHANGED FOR SOME REASON, SUCH AS A LEADERSHIP CHANGE IN THE USSR, ACHIEVEMENT OF OUR GOALS IN HUNGARY COULD BE ADVERSELY AFFECTED.

POSSIBLE INSTABILITY IN EASTERN EUROPE IS ANOTHER DANGER. KADAR APPEARS TO HAVE HIS DOMESTIC POLITICAL AND ECONOMIC SHOP IN ORDER, BUT IF INSTABILITY O RUSSIAN INTERVENTION ELSEWHERE PROVOKES AN EAST-WEST CONFRONTATION, HUNGARY WILL BE SWEPTUP IN IT ON THE SIDE OF THE USSR.

IT IS ALSO POSSIBLE, AS WE RESOLVE TPOSE ISSUES IN WHICH HUNGARY HAS A STRONG INTEREST, THAT HUNGARIAN INTEREST IN BETTER RELATIONS WITH US WILL SLACKEN. WE DO NOT BELIEVE THIS WILL BE THE CASE; WE THINK,

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ATHER,
THAT WE ARE BUILDING A BASIS FOR EXPANDED COOPERATION.

FINALLY, SINCE UMS.- HUNGARIAN COOPERATION HAS ITS PROSCRIBED LIMITS, WE MUST AVOID RAISING EITHER OUR OR HUNGARIAN EXPECTATIONS TOO HIGH. WE WILL HAVE TO BE CONTENT WITH MEASURED PROGRESS ON SOME ISSUES.

3. SPECIFIC ISSUES: OUR COMMENTS ON WHERE WE STAND AND WHERE WE THINK WE CAN GO ON THE GOALS AND OBJECTIVES STATED IN STATE 295530 FOLLOW. WE HAVE INDICATED WHERE WE NEED DEPARTMENTAL GUIDANCE AND/OR ASSISTANCE.

I. PROMOTION OF GREATER INDEPENDENCE INTERNATIONALLY

OUR FIRST PRIORITY SHOULD BE CONCLUSION OF A TRADE AGREEMENT PROVIDING FOR MUTUAL EXTENSION OF MFN ON THE TERMS OUTLINED IN THE FEBRUARY 6 NEGOTIATING ROUND. WE MADE EXCELLENT PROGRESS THEN AND WOULD APPRECIATE THE DEPARTMENT'S AGREEING TO RESUME NEGOTIATIONS ON FEBRUARY 27. WE ALSO NEED EARLY APPROVAL OF THE HUNGARIAN

DRAFT EXCHANGE OF LETTERS CONTAINING THE AGREED EMIGRATION ASSURANCES LANGUAGE, AND, ASSUMING A SUCCESSFUL OUTCOME, SIGNATURE AND SUBMISSION OF THE TRADE AGREEMENT TO CONGRESS BY MARCH 15.

OUR SECOND PRIORITY SHOULD BE INCREASED CONTACTS BETWEEN HIGH-LEVEL AMERICAN AND HUNGARIAN OFFICIALS. ACCORDINGLY, WE RECOMMEND THAT PRIME MINISTER LAZAR BE INVITED TO PAY AN OFFICIAL VISIT TO THE U.S. KADAR HAS INDICATED THAT HE HIMSELF WANTS AN INVITATION, BUT FOR U.S. DOMESTIC POLITICAL REASONS WE DOUBT THAT THIS WOULD BE POSSIBLE BEFORE 1981. AN INVITATION TO LAZAR
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COULD HELP BUILD TOWARD AN EVENTUAL VISIT BY KADAR, WHILE AT THE SAME TIME AVOIDING ANY IMMEDIATE EMBARRASSMENT FOR EITHER THE U.S. OR HUNGARY. IT WOULD ALSO AFFORD US AN OPPORTUNITY TO ENGAGE THE HUNGARIAN LEADERSHIP ON ISSUES OF INTEREST TO US BY CONVERSATIONS WITH A POLITICALLY ASTUTE ECONOMIC POLICY MAKER. A LAZAR VISIT FURTHERS OUR GOAL OF ENCOURAGING VISITS OF SENIOR OFFICIALS TO PROMOTE HUNGARY'S INTERNATIONAL INDEPENDENCE. WE WOULD APPRECIATE THE DEPARTMENT'S AUTHORIZING US TO INVITE LAZAR NEXT FALL, AFTER THE CONGRESSIONAL ELECTIONS.

WE SHOULD ALSO ENCOURAGE VISITS BY SENIOR USG OFFICIALS TO HUNGARY. A VISIT BY SECRETARY OF COMMERCE KREBS WOULD BE ESPECIALLY APPROPRIATE IN 1978. IF THE PRESIDENT SHOULD VISIT THE SOVIET UNION THIS YEAR OR NEXT, WE WOULD RECOMMEND A STOP IN HUNGARY. SUCH A VISIT WOULD UNDERLINE OUR IMPROVED RELATIONS WITH HUNGARY AND SERVE THE SAME POLICY OBJECTIVES AS THE PRESIDENT'S VISIT TO POLAND.

OUR THIRD PRIORITY IS THE WIDENING OF EMBASSY CONTACTS WITH HUNGARIAN OFFICIALS, PARTICULARLY TOP PARTY PEOPLE, AND DEEPENING OUR SUBSTANTIVE EXCHANGES OF VIEWS. THE LACK OF CONTACT BETWEEN THE EMBASSY AND THE HUNGARIAN PARTY HAS BEEN A SERIOUS GAP IN OUR RELATIONS. THE EMBASSY IS ALERT TO OPPORTUNITIES TO CORRECT THIS SITUATION: WE SCHEDULE DISTINGUISHED VISITORS TO SEE PARTY OFFICIALS; WE HAVE INVITED A SENIOR PARTY OFFICIAL (BERECZ) TO VISIT THE U.S., AND HE HAS ACCEPTED; WE BOMBARD PROTOCOL OFFICERS WITH REQUESTS FOR APPOINTMENTS AT PARTY HEADQUARTERS (THE AMBASSADOR SAW KADAR); AND WE SEEK OUT PARTY OFFICIALS ON NEUTRAL GROUND WHENEVER WE CAN. WE EXPECT THIS SITUATION TO IMPROVE. IMPLEMENTATION OF THIS GOAL IS ON THE EMBASSY'S SHOULDERS; WE NEED NO FURTHER DEPARTMENTAL GUIDANCE.

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WE LOOK BEYOND ESTABLISHMENT OF CONTACTS FOR CONTACTS' SAKE. WE TARGET OUR REQUESTS ON THOSE OFFICIALS WHO ARE ACTIVE ON ISSUES OF INTEREST TO US. OUR DIALOGUE WITH MEMBERS OF THE FOREIGN OFFICE WHO ARE NOT DIRECTLY DEALING WITH BILATERAL RELATIONS HAS RECENTLY IMPROVED, AND WE BELIEVE THAT AS WE CARRY OUT DEMARCHES WITH THEM, OUR DIALOGUE WILL DEEPEN FURTHER. OUR DELIVERY OF BIB'S OFFER OF BROADCAST TIME, FOR EXAMPLE, WAS NOT SUMMARILY DISMISSED, AS IT WAS IN SEVERAL OTHER EAST EUROPEAN COUNTRIES. HUNGARY'S LABOR LEADERS HAVE BEEN SAYING INTERESTING THINGS ABOUT EAST-WEST RELATIONS IN THEIR FIELD. WE ARE TRYING TO EXPLORE THIS IN GREATER DEPTH.

WE ALSO BELIEVE THAT IT IS IN OUR INTEREST TO INCREASE OUR INTERCHANGE WITH THE HUNGARIAN MILITARY. HUNGARY, WITH THE LIMITED RESOURCES IT PUTS INTO ITS MILITARY BUDGET, IS AN EXCELLENT EXAMPLE FOR THE REST OF EASTERN

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S E C R E T SECTION 3 OF 4 BUDAPEST 699
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FROM AMBASSADOR

EUROPE FROM A U.S. POINT OF VIEW. WE SHOULD ENCOURAGE IT NOT TO ABANDON THIS PRACTICE. MILITARY EXCHANGES ARE ONE WAY OF ACCOMPLISHING THIS GOAL. HERE OUR INSTRUCTIONS ARE ADEQUATE AND WE ARE SEEKING TO IMPLEMENT THEM WITH THEIMFA, WHICH IS WHERE THE MI ITTRY OF

DEFENSE HAS TOLD US THE DECISION LIES.

WE WILL CONTINUE TO ENCOURAGE HUNGARY TO ACCEPT AND IMPLEMENT MORE MEANINGFUL CBM'S. HOWEVER, SINCE HUNGARY IS THE BEST PERFORMER IN THE WARSAW PACT ON THIS POINT, WE MAY NEED PROGRESS ELSEWHERE IN EASTERN EUROPE BEFORE WE CAN ANTICIPATE MUCH SUCCESS.

THERE IS ONE AREA IN WHICH THE DEPARTMENT COULD ASSIST: REQUESTS TO OTHER NATO GOVERNMENTS TO STATIONS MILITARY ATTACHES IN BUDAPEST. THE NATO ATTACHE CORPS HERE IS SMALL AND WE ALONE CANNOT SUFFICIENTLY MONITOR HUNGARIAN AND RUSSIAN MILITARY ACTIVITY.

FINALLY, HUNGARY'S INTEREST IN WORLD ECONOMIC ISSUES IS GREAT SINCE IT IS SO DEPENDENT ON INTERNATIONAL TRADE. THE INTERNATIONALIST STANCE TAKEN BY THE CENTRAL COMMITTEE
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LAST FALL WAS ONE OF THE MOST ENCOURAGING DEVELOPMENTS IN HUNGARY LAST YEAR. UNFORTUNATELY, HUNGARY'S ABILITY TO REACT TO U.S. INITIATIVES IS LIMITED BY ITS ALLIANCES. WE WOULD APPRECIATE GUIDANCE FROM THE DEPARTMENT ON HOW TO MAKE HUNGARY, AS A LOYAL ALLY OF THE SOVIET UNION, MORE AMENABLE TO OUR VIEWS ON SUCH ISSUES AS THE NORTH-SOUTH DIALOGUE.

IN THIS CONNECTION, WE HOPE THE DEPARTMENT CAN SHAPE ECONOMIC POLICY TOWARD EASTERN EUROPE TO PROMOTE RATHER THAN HINDER THE DEVELOPMENT OF POLYCENTRISM. OUR ATTITUDE ON SUCH ISSUES AS THE EC PROPOSAL TO IMPOSE NUMERICAL TARGETS ON EAST EUROPEAN MEMBERS OF THE GATT IN THE MTN, AS WELL AS THE PROPOSED OECD STUDY OF EAST-WEST ECONOMIC ISSUES, WHOULD TAKE INTO ACCOUNT THE DEEIRABILITY OF A DIFFERENTIATED POLICY TOWARD EAST EUROPEAN COUNTRIES. IF THE INTEGRATION OF OTHER EAST EUROPEAN COUNTRIES INTO THE WORLD ECONOMIC SYSTEM PROCEEDS TO THE POINT OF IMF MEMBERSHIP (FOR EXAMPLE POLAND), WE HOPE THAT OUR POLICY WILL ENCOURAGE A SIMILAR STEP ON THE PART OF HUNGARY.

II. BUILDING ON HUNGARY'S INTERNAL LIBERAL TRENDS AND FOSTERING HUMAN RIGHTS

OUR FIRST PRIORITY UNDER THIS GENERAL POLICY OBJECTIVE WILL BE THE COMPLETION OF THE WORK PROGRAM OF THE EXCHANVES AGREEMENT. WE WILL NEED THE DEPARTMENT'S ATTENTION TO THIS POINT LATER IN THE YEAR. IT IS ALSO POSSIBLE THAT WE WILL NEED MORE FUNS AS OUR CULTURAL EXCHANGES AND IV PROGRAMS MOVE OUT OF FIRST GEAR. SATISFACTION OF HUNGARIAN

DESIRES FOR SCIENTIFIC EXCHANGES WOULD REDOUND TO OUR
BENEFIT. WE WOULD ALSO LIKE AUTHORIZATION TO PLAN A SEMINAR
IN HUNGARY BETWEEN LEADING AMERICAN AND HUNGARIAN ECONOMISTS
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IN ORDER TO INCREASE OUR INTERCHANGES IN THIS FIELD.

MUCH OF OUR DIALOGUE WITH HUNGARY ON HUMAN RIGHTS
ISSUES WILL FALL INTO THE CSCE CONTEXT, WHICH HAS GIVEN
HUNGARY AN ACCEPTABLE FRAMEWORK TO PURSUE ITS RELATIVELY
LIBERAL PRACTICES. OUR POLICIES IN THE POST-BELGRADE
ERA ARE NECESSARILY ONLY IN A FORMATIVE STAGE AT THIS
TIME. WE HAVE FOUND HUNGARY'S INTEREST IN PURSUING CSCE-
RELATED ISSUES TO BE MUCH GREATER IN THE BILATERAL AS
OPPOSED TO THE MULTILATERAL FIELD, WHERE IT HAS LESS
FLEXIBILITY WHILE THE RUSSIANS ARE IN THE SAME ROOM.
WE RECOMMEND, THEREFORE, THAT THE DEPARTMENT FORMULATE
BILATERAL APPROACHES ON THOSE ISSUES OF INTEREST TO US.
WE BELIEVE MORE PROGRESS IS POSSIBLE IN THE FIELDS OF
FAMILY REUNIFICATION, TRAVEL FACILITATION, INFORMATION
FLOW AND SCIENTIFIC CONTACTS. WE WOULD APPRECIATE
AUTHORIZATION TO PROPOSE MUTUAL ISSUANCE OF MULTIPLE-
ENTRY VISAS TO BUSINESSMEN. WE WILL CONTINUE TO REMIND
HUNGARY PERIODICALLY OF OUR WILLINGNESS TO ABOLISH
MUTUALLY NON-IMMIGRANT VISA FEES.

WE ARE LOOKING FORWARD TO INCREASED USE OF PUBLIC
DIPLOMACY AND ARE ORGANIZING OURSELVES ACCORDINGLY. WE
HAVE MADE SOME INTERNATIONAL OFFICE MOVES IN THE EMBASSY TO
MAKE THE PAO AND HIS STAFF MORE ACCESSIBLE TO THE PUBLIC,
ARE EXPERIENCING A FAST GROWTH RATE IN USE OF OUR LIBRARY,
AND ARE FINDING HUNGARIAN MEDIA MORE RECEPTIVE. WE ARE
ALERT TO SHIFTS AND CHANGES WITHIN THE POLITICAL
STRUCTURE AND INTEND TO TAKE ADVANTAGE OF THEM WITHIN
THE CONTEXT OF PROGRAM GOALS. WE ARE GRATIFIED THAT THE
DEPARTMENT AND USIA HAVE RECOGNIZED THAT NEW PUBLIC
DIPLOMACY OPPORTUNITIES NOW EXIST IN HUNGARY, BUT REQUEST
BOTH TO SUPPORT US WITH ADDITIONAL FUNDS AND PERSONNEL
AS THEY ARE NEEDED.

HUNGARY, THE LAND OF THE "MIRACULOUS MAGYARS WHO
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TAUGHT THE WORLD TO PLAY FOOTBALL" IS IN THE FINALS OF
THE WORLD CUP FOR THE FIRST TIME IN SIXTEEN YEARS. THE
COUNTRY, LEADERS AND LED ALIKE, ARE FULLY ENGAGED IN THIS

DEVELOPMENT. A VISIT NEXT FALL BY A U.S. SOCCER TEAM SUCH AS THE NEW YORK COSMOS, WOULD SIGNIFICANTLY CONTRIBUTE TO PEOPLE-TO-PEOPLE CONTACT.

III. IMPROVEMENT OF AMERICAN REPRESENTATION IN HUNGARY AND PROMOTION OF U.S. CITIZEN INTEREST

A MORE VIABLE COMMERCIAL RELATIONSHIP FOLLOWING THE PROSPECTIVE EXTENSION OF MFN WILL BE OUR FIRST PRIORITY. WE HAVE RECOMMENDED IN BUDAPEST 582 A PROGRAM OF TRADE PROMOTIONAL EVENTS IN HUNGARY ON A BI-MONTHLY BASIS (EXCLUDING SUMMER). WE WOULD APPRECIATE THE DEPARTMENT'S AND COMMERCE'S APPROVAL.

IN LIGHT OF THE PROSPECTIVE EXTENSION OF MFN, WE PARTICULARLY APPRECIATE USIA'S PARTICIPATION IN HUNGARY'S PREMIER COMMERCIAL EVENT, THE SPRING FAIR. WE HOPE THAT COMMERCE'S TENTATIVE DECISION TO PARTICIPATE IN THE 1979

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S E C R E T SECTION 4 OF 4 BUDAPEST 699

STADIS: FOR EUR ONLY////////////////////

FROM THE AMBASSADOR

FAIR CAN BE CONFIRMED IN THE NEAR FUTURE. THESE TWO ACTIONS WILL HELP US IN THE FIRST FEW, DELICATE YEARS OF OUR NEW TRADING RELATIONSHIP TO ENHANCE OUR PRESENCE IN HUNGARY AND DEMONSTRATE OUR DESIRE FOR BETTER COMMERCIAL RELATIONS.

WE EXPECT AN INCREASED FLOW OF BUSINESS VISITORS TO HUNGARY ONCE A TRADE AGREEMENT IS ANNOUNCED. THESE VISITORS WILL INCLUDE BOTH NEW-TO-MARKET FIRMS, WHO WILL

BE TAKING A FIRST LOOK AT HUNGARY, AND FIRMS WHICH WILL HAVE INCREASED EXPORT OPPORTUNITIES. THE EMBASSY WILL CONTINUE TO EXTEND FACILITATIVE ASSISTANCE TO THESE VISITORS.

CONCURRENTLY, WE WILL SEEK TO SETTLE OUR OUTSTANDING PROPERTY ISSUES. WE HAVE MADE PROGRESS AND APPRECIATE THE DEPARTMENT'S APPROVAL OF OUR RECOMMENDED NEGOTIATING APPROACH. WE WOULD FURTHER APPRECIATE THE DEPARTMENT'S APPROVAL OF THE BUILDING PROGRAM WE ARE IN THE PROCESS OF SUBMITTING AND SCHEDULING THE NEXT NEGOTIATING ROUND IN MARCH, WITH A VIEW TOWARD REACHING A FRAMEWORK SETTLEMENT BY THE END OF 1978.

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FINALLY, WE NEED THE DEPARTMENT'S RESPONSE TO THE LATEST HUNGARIAN PROPOSAL IN THE DOUBLE-TAXATION AGREEMENT NEGOTIATIONS. PROSPECTIVE CONCLUSION OF THE TRADE AGREEMENT AND THE GROWING NUMBER OF U.S.-HUNGARIAN JOINT VENTURES GIVES THIS NEGOTIATION A HIGHER PRIORITY THAN IT HAS HAD IN THE PAST.

4. RESOURCES

WHILE THE DEPARTMENT DID NOT SPECIFICALLY REQUEST OUR VIEWS ON RESOURCES NEEDED TO ACCOMPLISH THE ABOVE GOALS, WE FEEL THAT WE NEED TO POINT TO ONE SHORTCOMING IN OUR PRESENT STAFFING PATTERN: SHORTAGE OF U.S. SECRETARIES. AT PRESENT WE HAVE THREE STATE SECRETARIES ASSIGNED TO THE EMBASSY; ONE WORKS FOR THE AMBASSADOR; ONE FOR THREE OFFICERS; AND THE THIRD FOR SEVEN OFFICERS -- WHICH IS SIMPLY TOO MANY. IF WE ARE TO CONTINUE THE ACTIVE PROGRAM OUTLINED ABOVE, WE NEED ONE ADDITIONAL SECRETARY.

5. WE HAVE RESTRICTED DISTRIBUTION OF THIS TELEGRAM TO EUR AS INSTRUCTED, BUT HAVE NO OBJECTION TO ITS DISSEMINATION TO OTHER BUREAUS IN THE DEPARTMENT, AS WELL AS TO OTHER GOVERNMENT AGENCIES. WE REQUEST AUTHORIZATION TO REPEAT IT TO SELECTED POSTS IN THE FIELD (THE POLAD AT SHAPE HAS REQUESTED IT, FOR EXAMPLE). ALL USG AGENCIES REPRESENTED IN BUDAPEST HAVE PARTICIPATED IN THE PREPARATION OF THIS TELEGRAM AND CONCUR IN ITS RECOMMENDATIONS.
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